

**REPORT OF THE COMMITTEE ON APPROPRIATIONS
TOWN OF BARRINGTON
PUBLIC HEARING – MAY 13, 2009**

Good evening residents of Barrington. I would first like to introduce the members of the Committee on Appropriations. Pursuant to the Barrington Town charter, this Committee is charged with holding this Public Hearing exactly two weeks prior to the Financial Town Meeting (FTM) to present a budget and printed report outlining our recommended expenditures and the amount of tax levy necessary to support such budget. You will have an opportunity to ask questions and give reactions to our recommendations. If you feel that the school or municipal budget proposed this evening should be higher or lower, we encourage you to exercise your right to file an amendment with the Town Clerk five business days before the FTM for consideration by the voters at the FTM. Amendments for changes of up to \$50,000 per account can be made *at* the FTM but please remember that the entire school budget is in one account and will be voted on as one bottom line amount.

SUMMARY

The budget as presented at tonight's hearing proposes a combined operating and capital spending for The Town of \$56,870,312, which is a 1.06% increase over the current year's budget. If approved as recommended, approximately \$50,921,341, or 89.5% will have to come from property taxes paid by you as residents of this town. This amount represents an increase of 2.66% above last year's levy. This translates into an estimated \$1.34 tax increase to \$15.79 from the current \$14.45 per thousand dollars of assessed value. Most of the appropriated increase would be used to fund the recommended increase of \$898,000 in the Schools' budget with the rest offsetting loss of revenues. The sewer use fee will increase 20¢ per hcf (hundred cubic feet), increasing the average sewer bill by \$20.00.

SEPARATING OUT THE REVALUATION IMPACT

This meeting is not about the Vision Appraisal Revaluation (VAR). However, it is important to understand that the tax levy increase or (decrease) resulting from this or any other budget scenario is the tax increase (decrease) that the resident with the *average* or mean valuation change. The restated tax rate from the revaluation alone is estimated to be \$15.35 from the current \$14.45. This change is calculated so that the town will receive approximately the same total tax dollars as it did before the VAR. Since the average Barrington property value decreased by about 6%, those whose assessments decreased by about 6% are starting from about the same tax base as last year. If your assessment reflects a decrease much greater than 6%, then your beginning tax basis is actually lower than last year and you are likely to experience a decrease in your tax bill vs. the current year if we approve the budget proposed tonight or a smaller one. On the other hand, property owners whose assessed value went down only slightly, or went up, will be starting from a higher tax basis than last year. You can calculate the precise magnitude of this change in the starting tax basis for your own household by comparing your current annual tax bill (or \$14.45 multiplied by your 2007 assessed value) with \$15.35 multiplied times your new assessed value. As we go into the process of considering the budget from a personal affordability standpoint, we ask that everyone be cognizant and sensitive to the fact that although the budget we approve at the FTM will impact everyone's tax bill the same, proportionally, there is great variation in the *total* tax change our residents will experience.

ECONOMIC ENVIRONMENT

I think most would agree that our nation and our State are experiencing the worst recession in at least 50 years. It is our impression that the residents of Barrington are experiencing their proportionate share of financial hardship with most households earning less or the same income as last year on top of significantly reduced savings. As a result, we began our detailed study of proposed spending needs in January, with the mindset that a very modest, if any, tax increase would be appropriate or in the best interests of the taxpayers this year. Thus our goal was to come to you with a recommended budget that holds taxes as close to their current level as possible without negatively impacting the outstanding quality and breadth of services provided by our schools and municipal departments, and without causing the need for lay-offs. As difficult as it has been, we believe we have accomplished that goal.

REVENUES

I would like to cover the revenue side of the equation first as we start to consider the affordability of increasing expenditures. As you know, because Barrington School Department receives so little in State Aid – the lowest per pupil of any town in the State – your property taxes must cover the vast and increasing majority of school and municipal expenses – perhaps 90% for the coming year. Because State Aid remained flat for 3 years and has been significantly reduced in the current year, any and all expenditure increases will continue to increase your tax burden by even more than their full amount. The only other significant revenue sources for the town outside of your property taxes, are licenses and fees, most of which are based on real estate transactions, and interest on the town's fund balance. These revenues have also dropped off significantly this year.

As we compare the total revenues we budgeted for the current year with the somewhat optimistically budgeted revenues for next year, we calculate a decrease of about \$917,000. Just to make up for these lower revenues would increase the tax levy by about 30¢ or 2.0%. Happily, we can report to you that a good portion of this reduction in revenues has already occurred in the current year, and that it was both largely anticipated and significantly offset by further tight spending control by the very able management of our Town and Schools. As an example our Director of Finance, Dean Huff, was able to lock in savings of \$800,000 in interest expense over the next ten years by negotiating the refinancing two existing bonds to a lower rate. And Ron Tarro, our Director of Administration and Finance on the School side, wisely thwarted spending of \$128,710 in professional development funds due from the State in anticipation that they could be cut at the last minute, which they were.

The COA has suggested that the Town Council and Town Management consider a number of user fee opportunities to increase the town's revenue collections, such as charging for brush chipping and mattress pick-up, and instigating a volume based-fee for trash collection. These are policy issues however, and not under the purview of the COA. We encourage any citizens with either revenue generating or cost savings ideas for the town, to submit them to the Town Council or School Board as appropriate.

SCHOOLS

School Management worked diligently to come up with a budget that would provide level services of all of our schools' outstanding programs and afford the increasing costs of several state mandates, without exceeding the 4.75% cap as designated by Senate Bill 3050. The School Committee approved their proposed budget of \$42,450,000 in February, which is a \$1,797,000 or 4.4% increase over last year's budget. We cannot in good conscience recommend that kind of a budget and tax increase to you in such economic times. The COA is presenting tonight, and recommending to you for approval at the FTM, a school budget in the amount of \$41,552,000 an \$898,000 or 2.21% increase over the current year. Salaries are by far the largest component of the school budget, and when coupled with benefits, total some 86% of the total school budget. Of the total \$1,797,000 increase proposed to us in February, \$1,058,000 was for various salaries and other gross income increases for the 351 Barrington School personnel. About \$450,000 of the \$1.1 million of total proposed gross income increases is for 2 - 3% raises for the 283 teachers in our schools; \$441,000 is also for teachers in the form of "step" or longevity increases for those with between one and nine years of experience and those reaching milestones of 15, 20 and 25 years of service. In the current year the average gross income of a Barrington teacher is about \$74,000. This figure does not include benefits. The rest of the \$1,058,000 salary increase dollars proposed to us were for Support staff in the amount of \$130,000, and Senior Management/Administrators in the amount of \$48,000. The COA does not presume to suggest that *every* dollar of income increase be rescinded from the School Budget. We do believe that income levels that reflect the notion of a pay freeze, at least for employees above some wage level, is appropriate. The existence of step increases is mandated by the State, although the specific amounts are part of the contract negotiations. We have outstanding, exceptionally hard-working teachers, whose students consistently deliver top performance in the State. They don't *deserve* a pay freeze, but neither I expect did the many of you who have had your incomes frozen or reduced. There is simply no other place we can reduce expenses. For many years, Barrington has operated not only the best performing school system, but among the most efficient ones in the State, as measured by extremely low costs per pupil. What we *all* deserve is a fair and predictable contribution to our School Budget from the State, but there is nothing to indicate progress in that direction. The only other option is to lay off many teachers and cut programs. I

firmly believe that this is not an alternative that *any* of us want to explore, including the teachers who would be left with larger classes and fewer resources. Special Education cost increases of \$235,000 in the proposed budget are for state-mandated services and net Benefit expense increases of \$366,000, account for most of the rest of the increase requested by the Schools. The COA *does* think that the Schools could do without the requested \$75,000 dollar increase in Supplies and Materials, \$2 million expense category that includes everything from classroom and instructional materials, library books, technology and custodial supplies. The remainder 6% of the School Budget not yet discussed is mostly for Purchased Services (Utilities) and is level funded. There is simply no place to cut spending to offset most or all of the \$1.1 million of pay increases proposed by School Management.

As difficult as it will be on both parties, we have confidence that School Management and the Teachers, as represented by their Union, will be able to renegotiate in good faith, as stipulated in their new contract, 2009-10 income levels for Barrington teachers that are afforded by our recommended budget, and that will avoid the necessity of lay-offs.

It should also be noted that should an unexpected expense or revenue shortfall come about on the school side next year, the School accumulated surplus, sometimes referred to as the “rainy day fund” has a current balance of \$440,000, which is available for use at the discretion of School Management. Ideally, these funds are saved for special capital or other “one-time” expenses so as not to create a structural deficit that must be covered in the following year.

MUNICIPAL

The Municipal Budget of \$16,873,000, as presented tonight calls for a *decrease* in expenditures of \$254,000 or -1.5% vs. the current year. Removing the \$470,000 *favorable* impact of debt reduction, this budget reflects a slight *increase* of \$114,000, or 1.1%, over the current year’s municipal operating budget of \$17,127,000. Income increases in the proposed municipal budget total \$180,000 for all employees, the majority of which is for union employees who will be in their last year of the traditional 3-year contract cycle. This Committee has confirmed with Town Management and the Town Council that they will approach those unions this fall with a request for a salary freeze in the first year of the new contracts. All other municipal accounts are essentially flat in actual dollars, with the exception of a notable *decrease* in pension benefit expenses, which may reverse next year if actuarial assumptions prove to be too optimistic. Once again, Municipal Management has found a way to significantly offset any unavoidable expense increases with decreases in other areas without cutting back on services.

CAPITAL

Capital funding is used to preserve and replace, as needed, all of the Town’s assets. Monies are appropriated into specific capital reserve accounts to assure that the reserved funding is specifically used for the appropriated request. The Planning Board Capital Committee has recommended roughly level funding into the various vehicle, equipment and technology accounts of the Police, Fire, Department of Public Works, Miscellaneous and School departments. Each apparatus on the municipal side has a scheduled maintenance and expected useful life. We try to assure that such accounts maintain a balance that allows for an unscheduled purchase when the need arises, as it did this year when a brand new recycling truck was destroyed by fire. Although we’d feel more comfortable with higher “reserves” in this regard, we did not feel that this was a year when we could collectively afford that luxury. Total capital requested is \$1,248,000, a slight decrease from last year \$1,292,000.

BALANCE SHEET

It is the prudent policy/practice of the Financial Management of this town to maintain an unrestricted general fund balance of between 15 and 20% of our total operating budget. The estimated fund balance for June 30, 2009, our fiscal year-end, is \$9,900,000 or 17.4% of our operating budget. It is also Management’s prudent policy/practice to spread out the funding of large – bondable - capital needs of the town evenly over time, i.e. to keep debt levels relatively stable.

You will be asked to vote on a proposal to issue a bond in the amount of \$5 million at the FTM. This bond is intended to cover the expenses of capping two environmental landfills at Chianese field for approximately \$3 million, \$1 million to replace the Nayatt and Primrose Hill School

roofs, and \$1 million for road paving and drainage. Although much more could be used for paving in the near term, again we felt that this was not the year to recommend bringing the Town's debt service levels up any higher than absolutely necessary.

We have tried to take into account the severe financial constraints being placed on all parties in coming up with this proposed budget. This was not easy and the members of this Committee did not support all budget decisions unanimously. There was serious consideration given to recommending level funding for the School Budget to avoid the necessity of increasing the tax levy at all. For example, if School Management were able to negotiate and enact the elimination of all salary and step increases, allowed the attrition of 2-3 teachers, and cut about \$400,000 (about 10%) out of Supplies/Other discretionary accounts, level funding could be achieved. However, we felt that this kind of scenario would be asking too much from our outstanding teachers and School Management and would put them into such a bare bones position, that any further reduction in State Aid or unexpected expense would require program or position cuts.

CONCLUSION

It has been an honor serving you in preparing and presenting this year's recommended budget. We are deeply grateful to the Management of our Schools & Town for the incredibly cooperative and professional manner with which they have endured our countless hours of questions and challenges to what, in better economic times, would have been entirely reasonable and affordable budget requests. It is worthy to note that the Town's financial position remains strong, which was recently reaffirmed by Moody's Investor Services. Unlike many Rhode Island communities, whose poor budgeting practices are resulting in the need for drastic service cuts, Barrington has lived within its means and this year has even cut spending below budget levels to offset last minute revenue reductions. Finally, on a personal note, I would like to thank the other members of this Committee for their significant commitment and contribution throughout this process, particularly to Tim Sweetser, our veteran member, who has offered wise counsel and perspective, peppered with much needed humor at every pressure point.

Respectfully submitted,

BARRINGTON COMMITTEE ON APPROPRIATIONS

Kathryn D. Cadigan, *Chair*

Timothy R. Sweetser, *Vice Chair*

Pamela Wheeler Mitchell, *Secretary*

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